



Arnold Schwarzenegger
Governor

September 10, 2010
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Ms. Jan Maseda, Area Director
Lutheran Social Services
6425 Tyrone Avenue
Van Nuys, CA 91401

Dear Ms. Maseda:

WORKFORCE INVESTMENT ACT
VETERANS EMPLOYMENT-RELATED ASSISTANCE PROGRAM
15-PERCENT ADULT PROJECT
25-PERCENT DISLOCATED WORKER PROJECT
FINAL MONITORING REPORT
PROGRAM YEAR 2009-10

This is to inform you of the results of our review for Program Year (PY) 2009-10 of the Lutheran Social Service's (LSS) administration of its Workforce Investment Act (WIA) Veterans Employment-Related Assistance Program (VEAP) Projects. This review was conducted by Ms. Louise Moreno, Mr. Fred Granados and Mr. Jim Tremblay from May 17, 2010 through May 20, 2010. For the program operations portion of the review, we focused primarily on the areas of program administration, participant eligibility, WIA activities, monitoring, if applicable, and management information system/reporting. For the financial management portion of the review, we focused primarily on the areas of accounting systems, expenditures, allowable costs, cost allocation, reporting, cost pools, indirect costs, cash management, internal controls, program and interest income, single audit, if applicable, and property management. For the procurement portion of the review, we focused on procurement competition, cost and price analyses, and contract provisions.

We conducted our review under the authority of Sections 667.400(c) and 667.410(b) (1)(2)(3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by LSS with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations, financial management, and procurement.

We collected the information for this report through interviews with LSS representatives, and WIA VEAP participants. In addition, this report includes the results of our review of sampled case files for participants enrolled in the WIA VEAP Projects; a review of

LSS's response to Sections I and II of the Program On-Site Monitoring Guide; applicable policies and procedures; and a review of documentation retained by LSS for a sample of expenditures and procurements.

We received your response to our draft report on August 12, 2010, and reviewed your comments and documentation before finalizing this report. Your response adequately addressed the finding cited in the draft report. However, we cannot close this issue until we verify, during a future on-site visit, LSS's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned Corrective Action Tracking System (CATS) number 10123.

BACKGROUND

The LSS was awarded \$250,000 in 15-Percent funds to serve 70 adult participants, and \$250,000 in 25-Percent funds to serve 70 dislocated worker (DW) participants from March 1, 2008 through March 31, 2010.

For the period ending May 2010, LSS reported that it spent \$207,411.99 of its 15-Percent funds to enroll 80 adult participants, and \$207,130.08 of its 25-Percent funds to enroll 81 DW participants. We reviewed 20 of 80 case files for the 15-Percent adult participants, and 20 of 81 case files for the 25-Percent DW participants enrolled in the WIA VEAP Projects as of May 17, 2010.

PROGRAM REVIEW RESULTS

We concluded that, overall, LSS is meeting applicable WIA requirements concerning grant program administration.

FINANCIAL MANAGEMENT REVIEW RESULTS

We concluded that, overall, LSS is meeting applicable WIA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, LSS is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of cost or price analysis. The finding that we identified in this area, our recommendation, and LSS's proposed resolution of the finding is specified below.

FINDING 1

Requirement: 29 CFR Section 95.45 states, in part, that some form of cost or price analysis shall be made and documented with every procurement action.

WIAD00-2 states, in part, that each procurement action must be documented. Examples of acceptable documentation include sales receipts, current catalogs with price lists, or formal quotes.

Observation: We observed that LSS did not provide documentation that a cost or price analysis was performed for the purchase of an HP Office Jet Printer and a Canon Electric Calculator. LSS also could not provide receipts or other documentation to properly establish the procurement of these items.

Recommendation: We recommended that LSS provide the Compliance Review Office a corrective action plan (CAP) to ensure that future procurement transactions are properly documented by performing a cost or price analysis.

LSS Response: The LSS submitted a written Cost/Price Analysis Policy which includes:

- All employees shall perform a written cost/price analysis with documentation for every procurement action.
- Reasonable efforts shall be made to ensure fair and competitive pricing.
- Each purchase must have a sales receipt to document the price actually paid for each item.

State Conclusion: The LSS didn't provide a CAP, but the written cost/price analysis policy should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future on-site visit, LSS's successful implementation of its policy. Until then, this issue remains open and has been assigned CATS number 10123.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. As you know, it is LSS's responsibility to ensure that its systems, programs, and related activities comply with the WIA related federal regulations, and applicable state directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain LSS's responsibility.

Ms. Jan Maseda

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September 10, 2010

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Cindy Parsell at (916) 654-1292.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessie Mar", with a stylized flourish at the end.

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Ellen Waild, Chief Executive Officer
Sanae Cockrill, MIC 50
Kathy Meyer, MIC 50